



Billing Code: 5001-06

DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 18-12]

Arms Sales Notification

AGENCY: Defense Security Cooperation Agency, Department of Defense.

ACTION: Arms sales notice.

SUMMARY: The Department of Defense is publishing the unclassified text of an arms sales notification.

FOR FURTHER INFORMATION CONTACT: DSCA at dsca.ncr.lmo.mbx.info@mail.mil or (703) 697-9709.

SUPPLEMENTARY INFORMATION: This 36(b)(1) arms sales notification is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996. The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 18-12 with attached Policy Justification and Sensitivity of Technology.

Dated: July 26, 2018.

Shelly E. Finke,
Alternate OSD Federal Register Liaison Officer,
Department of Defense.



DEFENSE SECURITY COOPERATION AGENCY

201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5408

APR 24 2018

The Honorable Paul D. Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 18-12, concerning the Army's proposed Letter(s) of Offer and Acceptance to the Government of the Netherlands for defense articles and services estimated to cost \$70 million. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,

A handwritten signature in black ink, appearing to read "C. W. Hooper", is written over the typed name.

Charles W. Hooper
Lieutenant General, USA
Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology

Transmittal No. 18-12

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

(i) Prospective Purchaser: Government of the Netherlands

(ii) Total Estimated Value:

Major Defense Equipment*	\$60 million
Other	<u>\$10 million</u>
TOTAL	\$70 million

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):

Three thousand five hundred (3,500) M1156 Precision Guided Kit (PGK)

Non-MDE:

Also included are six (6) PGK settable trainers; two (2) PGK cut away models; one hundred (100) M76 PGK fuze wrenches; ten (10) Extended Length Artillery Projectile Extractors (ELAPEs); PGK technical data and publications; U.S. Government engineering and technical support services; and other related elements of logistics and program support.

(iv) Military Department: Army (NE-B-WKA)

(v) Prior Related Cases, if any: None

(vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Attached Annex

(viii) Date Report Delivered to Congress: April 24, 2018

*As defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

Netherlands – M1156 Precision Guided Kits

The Netherlands has requested to buy three thousand five hundred (3,500) M1156 Precision Guided Kits. Also included are six (6) PGK settable trainers; two (2) PGK cut away models; one hundred (100) M76 PGK fuze wrenches; ten (10) Extended Length Artillery Projectile Extractors (ELAPes); PGK technical data and publications; U.S. Government engineering and technical support services; and other related elements of logistics and program support. The estimated total cost is \$70 million.

This proposed sale will support the foreign policy and national security objectives of the United States by helping to improve the security of the Netherlands which is an important force for political stability and economic progress in Europe. It is important to the U.S. national interests to assist the Netherlands to develop and maintain a strong and ready self-defense capability. The Netherlands has been a consistent coalition partner supporting the United States in various coalition combat operations to include counter-ISIS, Stabilization Force in Iraq, and Afghanistan.

The proposed sale of PGK will provide a precision guided capability to 155mm artillery projectiles and improve Netherlands's capability to meet current and future enemy threats. The Netherlands will use the enhanced capability to strengthen its homeland defenses, deter regional threats, and provide direct support to coalition and security cooperation efforts. The Netherlands will have no difficulty absorbing this equipment into its armed forces.

The proposed sale of this equipment will not impact the basic military balance in the region.

The principal contractor will be Orbital ATK. There are no known offset agreements proposed in connection with this potential sale. The purchaser typically requests offsets. Any offset agreement will be defined in negotiations between the purchaser and the contractor.

Implementation of this sale will not require the assignment of any additional U.S. or contractor representatives to the Netherlands.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 18-12

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

Annex
Item No. vii

(vii) Sensitivity of Technology:

1. The M1156 Precision Guidance Kit (PGK) is a Global Positioning System (GPS) Precise Positioning Service (PPS) guided 155mm artillery projectile fuze. This effort includes the qualification of PGK on the Assegai M1711 Insensitive High Explosive (IHE) Base Bleed (BB) projectile with modular charges DM92 Charge 6 and PGK on the Assegai M1712 IHE Boat Tail (BT) projectile with modular charges DM92 Charges 5 and 6, both fired from the Netherlands' PzH 2000 self-propelled howitzer.

2. The M1156 utilizes the Enhanced Portable Electronic Fuze Setter (EPEFS) to set the PGK and the Portable Electronic Fire Control System (PEFCS) both purchased previously under a previous Excalibur FMS case. The PEFCS contain an Improved Platform Integration Kit (MK) to load GPS coordinates. Both the PGK and PEFCS contain the Selective Availability Anti-Spoofing Module (SAASM). The PGK has 90% commonality with the Army's XM395 Accelerated Precision Mortar Initiative (APMI). The PGK (the end-item) is unclassified. Transfer of the PGK may reveal information up to SECRET.

3. The M1156 utilizes the Army's M782 Multi-Option for Artillery (MOFA) Proximity Height of Burst (HOB) Technology. The HOB sensor is comprised of components with technologies deemed as state of the art, requiring specialized production skills. The sensitive/critical technology is primarily in the design, development, production and manufacturing of the components (integrated circuits and assembly), and the integration methodology required to integrate those components onto an assembly to process embedded (the software-algorithm-working parameters). The HOB technology is classified SECRET.

4. Disclosure of this technology could result in an adversary developing countermeasures, thus lessening the effect of the projectile. Disclosure of test data, countermeasures, vulnerability/susceptibility analyses and threat definition could all aid reverse engineering and could be used by an adversary for possible use against U.S. and Coalition forces. Compromise could jeopardize the U.S. forces inventory through jammer development by adversaries. The risk of compromise has been assessed as moderate. Risk is reduced for fuze/munitions if adequately controlled and protected in storage and on the battlefield. Risk is mitigated by the prevention of disclosure of sensitive classified information (the know-how, software, and associated documentation).

5. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures

which might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

6. A determination has been made that the Netherlands can provide the same degree of protection for the sensitive technology being release as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

7. All defense articles and services listed in this transmittal have been authorized for release and export to the Netherlands.

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